

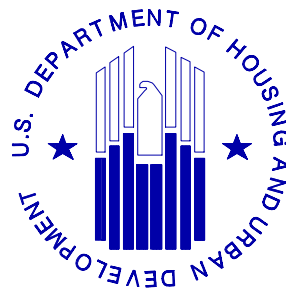


**Rental Market Outlook**

for the

**Fort Collins-Loveland, Colorado  
Metropolitan Statistical Area (MSA)**

As of  
April 2003



Prepared by

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## **The Fort Collins-Loveland, Colorado MSA Rental Market**

### **Introduction**

This report has been prepared to assist the U.S. Department of Housing and Urban Development (HUD) in its underwriting operations. The report is an update of our initial overview of the rental market, dated January 2000. It has also been provided to officials of state and local government, developers, lenders and others interested in the outlook for the local rental market. The estimates, opinions and forecasts in this report are solely those of the Economists in the Office of Policy Development and Research in the Rocky Mountain Office and do not represent HUD Departmental or Rocky Mountain Office policy. The report is provided for informational purposes only. It does not purport to make determinations with respect to any particular application for mortgage insurance, subsidy funds, grants or other financing, which may be under consideration in this market area.

The market area covered by this analysis consists of the Fort Collins-Loveland Metropolitan Statistical Area (MSA), which is defined as Larimer County, Colorado. The report includes a discussion of the condition and outlook for the overall rental market and the market for projects financed under the Low Income Housing Tax Credit (LIHTC) program, including projects which provide income restricted units as a result of obtaining financing through issuance of tax exempt, Private Activity Bonds (PABs). It does not address specialized portions of the rental market such as congregate elderly housing or assisted living but it does include a brief review of the outlook for independent LIHTC units reserved for seniors. The analysis also includes a brief discussion of the home sales market. Unless otherwise noted, the estimates and discussion of market conditions are as of April 2003.

### **Summary and Conclusions**

The Fort Collins-Loveland, Colorado MSA experienced a significant slowdown in employment and population growth since the 1990s. Modest growth is projected for the next two years, but annual job gains will not match the pace of the 1990s. Unemployment has reached an all time high of 5.2 percent for the year ending 2002. Cutbacks in manufacturing, construction and service related industries prompted the rise in unemployment in 2002. Colorado State University will continue to be the backbone of the economy in Fort Collins. Loveland's economy will remain dependent on retail trade. Tourism and related industries will continue to buoy the Estes Park economy. The high tech industry will still play an important role in the economy, but to a lesser degree than in the last decade. Population will continue to grow, but not at pace of the 1990s. Immigration has eased since the 1990s; fewer people have relocated due to the recent decrease in employment opportunities.

Demand for market rate rental units has fallen during the past couple of years and rental vacancy rates have risen. Several factors have influenced the rise in vacancy rates since January 2000. Many renter households opted to purchase homes because of lower mortgage interest rates, or moved from the area because of employment

opportunities elsewhere. At the same time, the surge of new market rate units entering the market over the past two years pushed vacancy rates up throughout the MSA. Absorption of market rate units will remain soft through the first year of the forecast period and pick up during the second year. However, there is a strong potential for a surplus of market rate units to remain on the market in April 2005, the end of the two year forecast period. Our present outlook anticipates recovery of the local rental market sometime in 2006, indicating a need to postpone the start of new market rate units until late-2004 or early-2005. If there are changes in the market, for example, a significant increase or decrease in employment or if mortgage interest rates begin to rise, we will reevaluate the present outlook and revise our estimates accordingly.

The current market for nonelderly LIHTC units is soft and new units will be entering the market during the coming year. The capture rates required to absorb the new units, while maintaining acceptable occupancy in existing LIHTC units, will be difficult to achieve. Two and three-bedroom units at the 60 percent level in the Fort Collins area already face high capture rates; in the Loveland area, absorption of the two and three-bedroom units scheduled to enter the market during the next several months at all income levels will require extremely high capture rates. Additional nonelderly LIHTC units in the Loveland area should be postponed until units under construction have reached sustaining occupancy. There is limited opportunity for one and two-bedroom nonelderly LIHTC units in the Fort Collins area at the 40 and 50 percent of median income level. However, additional nonelderly LIHTC units at any income level in the Fort Collins-Loveland, Colorado MSA should be approached with caution.

The present inventory of elderly LIHTC units all entered the market since January 2000. Even with these additions, the capture rates have remained at or below 10 percent for one and two-bedroom units at the 40 and 50 percent level. In view of the low capture rates for one and two-bedroom units at the 40 and 50 percent level, there is some potential to develop another modest-sized elderly project.

### **Employment Trends**

Labor force and total employment (based on place of residence) has grown each year since 1995. The labor force gained more than 26,000 people from 1995 through 2002, an annual gain of approximately 2.5 percent. The unemployment rate in 1995 was 3.9 percent and dropped to a low of 3.0 percent in 2000. The annual average unemployment rate rose to 3.5 percent in 2001 and reached an all time high of 5.2 percent in 2002. The slowdown in manufacturing, construction, and service-providing industries were contributing factors to the rise in unemployment in 2002. From June through December 2002, the unemployment rate stayed in the low 5 percent range, slightly below the rates during the first half of 2002. By January 2003, the unemployment rate had increased to 5.7 percent, slightly above the January 2002 rate of 5.6 percent. The rate fell to 5.5 percent in February 2003, equal to the rate of one year ago and slightly below the state's unemployment rate of 5.8 percent.

Covered employment (based on place of work) rose by 26,568 jobs from year-end 1995 through the end of 2001 and posted an average annual growth rate of 4 percent. Covered employment data for 2002 is available through September and indicated a dramatic slowing of growth. The twelve-month period ending September 2002 covered employment was down by roughly 0.3 percent compared to the previous twelve-month period ending September 2001. The recent trend in the labor force, employment, unemployment rates and covered employment is presented in Table 1.

Table 1

Labor Force, Employment, Unemployment Rate and Covered Employment  
Fort Collins-Loveland, Colorado, MSA  
1995 - 2002

<u>Year</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployment Rate</u>	<u>Covered Employment Number</u>	<u>Change</u>
1995	127,256	122,249	3.9%	95,312	5.4%
1996	131,018	126,000	3.8%	101,795	6.8%
1997	133,508	129,259	3.2%	105,079	3.2%
1998	140,302	134,944	3.8%	110,447	5.1%
1999	140,739	136,403	3.1%	113,355	2.6%
2000	147,119	142,719	3.0%	119,157	5.1%
2001	150,998	145,667	3.5%	121,880	2.3%
2002	156,630	148,558	5.2%	na	na

Source: Colorado Department of Labor and Employment

Employment growth has eased since the significant growth of the 1990s, and it is unlikely that the MSA will sustain growth of that magnitude during the forecast period. The Colorado Office of State Planning and Budgeting (OSP) has forecast a statewide rise in employment of 0.7 percent for 2003 and a 2.1 percent gain in 2004. The Colorado Legislative Council (CLC) has forecast a similar statewide employment growth rate. Their estimates are a growth rate of 0.5 percent in 2003 and 2.3 percent for 2004. For the purpose of estimating housing demand during the next two years, we have forecast annual growth rates in the Fort Collins-Loveland MSA of 1.5 percent for 2003 and 3.5 percent for 2004, which, when compared to the OSPB and CLC statewide estimates, are relatively optimistic. Job growth in the MSA has typically exceeded that for the state as a whole and our forecast anticipates a continuation of that trend. In fact, our forecast expects considerable strengthening of the local economy by 2004. Total employment is expected to grow to approximately 151,000 during 2003 and to about 156,000 in 2004. Health care and retail trade will lead the way in the modest employment growth over the next two years. Employment in the construction sector will also rebound during the next couple years, due mainly to the anticipated increase in construction activity at Colorado State University and the proposed new hospital in Loveland.

**Colorado State University (CSU)**

CSU has approximately 7,300 employees, including faculty, administrative professionals, graduate assistants, post doctorates, and state classified employees. The university is the largest employer in Larimer County. Following years of moderate increases, enrollment has surged in the past two years. Fall 2002 enrollment increased by 8.5 percent or 1,953 students over the fall 1999 enrollment. Student enrollment is estimated to increase at an annual average of 2 percent during the forecast period. The trend in student enrollment is presented in the following table.

<i>Table 2</i>		
<u>Colorado State University Enrollment - Fall Semester</u>		
<u>Fort Collins, Colorado</u>		
<u>1995 - 2002</u>		
<u>Year</u>	<u>Number of Students</u>	<u>Annual Change</u>
1995	21,914	N/A
1996	21,970	0.3%
1997	22,344	1.7%
1998	22,523	0.8%
1999	22,782	1.1%
2000	23,098	1.4%
2001	23,934	3.6%
2002	24,735	3.3%

Source: Colorado State University, Office of Budgets and Institutional Analysis

CSU owns and manages 10 residence halls, with capacity of approximately 4,500 students, 718 apartments units for students with families and 190 apartments units for older students or graduate students. CSU can house approximately 1,000 students in the apartments. The residence halls were 100 percent occupied for the fall 2002 semester and the apartments units were at 97 percent occupancy. Room and board rates for 2002-2003 academic year range from \$2,650 for a room in a standard hall to \$3,123 for a room in a suite hall. All room rates include a meal plan. Family apartments monthly rates range from \$562 for a two-bedroom unit to \$802 for a three-bedroom units that includes Internet access and a washer/dryer. The singles apartments rent by the bedroom and the student must be 23 years old or older. Rents range from \$375 per month per bedroom in a two-bedroom apartment to \$561 per month for a one-bedroom apartment.

CSU received approval from the Colorado Commission of Higher Education to construct a 700-bed residence hall. Construction is slated to begin in the spring of 2003 and the residence hall will be ready for occupancy for the 2004 fall semester. It will be the first new residence hall built since 1967. When the new hall is completed, the 400-bed Newsom Hall will be razed. This net increase in capacity of 300 beds will not have a dramatic impact on the off-campus rental market but will occur before all of the present surplus of rental units is absorbed.

The freshman class of 2002 set a record with an enrollment of 3,829 and unless a waiver is received, the incoming freshmen are required to live on campus. CSU guarantees the freshmen a space in a residence hall, leaving approximately 670 spaces for upperclassmen to live on campus. Upper classmen who live off-campus have several options available for housing. The most preferred option is student oriented apartment complexes such as Rams Pointe, Rams Park, Rams Village and Cambridge House but a significant number of students reside in other apartment complexes near the campus.

The 2002 fall enrollment of 24,735 was the largest ever. CSU can house approximately 5,500 students; fraternities and sororities house about 2,000. Commuter students number around 2,400, and about 500 students live in condominiums and houses that were purchased to live while attending school. These housing options still leave the vast majority, approximately 14,000 students, to be absorbed by the local market.

### **Population Trend**

The population of the MSA was 251,494 persons as of the 2000 Census. The MSA ranked 173<sup>rd</sup> largest out of the 318 MSAs in the nation. Larimer County had the 7<sup>th</sup> largest population among the 63 counties in Colorado.

Population grew by 23.4 percent from July 1994 through July 2002 or an annual average growth rate of 2.6 percent. Strong immigration, stimulated by sustained employment growth, propped up the growth rate throughout the 1990s. Migration began to ease in 1995 and the growth rate dropped back to about 3.0 percent, with a subsequent drop in 1996 to 2.5 percent. Growth picked up in the late-1990s but slowed again in 2002. Fewer people relocated to the MSA from 2001 to 2002 because of decreasing employment opportunities; resulting in a decrease in the rate of growth. The recent population trend is presented in Table 3.

*Table 3*

Population and Components of Change  
Fort Collins-Loveland, Colorado MSA  
July 1994 – July 2002

<u>Date</u>	<u>Population</u>	<u>Net Natural Increase*</u>	<u>Migration</u>	<u>Population Change Number</u>	<u>Percent</u>
July 1994	214,900	1,500	6,600	8,100	3.9%
July 1995	221,600	1,600	5,100	6,700	3.1%
July 1996	227,200	1,600	4,000	5,600	2.5%
July 1997	232,800	1,500	4,100	5,600	2.5%
July 1998	239,100	1,500	4,800	6,300	2.7%
July 1999	246,200	1,500	5,600	7,100	3.0%
July 2000	252,800	1,700	4,900	6,600	2.7%
July 2001	259,700	1,800	5,100	6,900	2.7%
July 2002	265,200	1,800	3,700	5,500	2.1%

\* Excess of resident births over deaths

Note: All numbers rounded to nearest 100 persons

Source: Colorado State Demographer

The recent employment slowdown has caused population growth to ease. We estimate that the annual rate has dipped under 1 percent and immigration has slowed significantly since July 2002, resulting in a current estimated population of 267,200 persons. Growth is expected to pick up slightly to a growth rate of 1.6 percent during 2003. With renewed job growth in 2004, population growth should increase to about 2.6 percent and by April 2005, the population should reach 278,400 persons.

### **Housing Inventory**

The total housing inventory saw significant gains during the 1990s. Census 2000 reported a 35 percent (27,581 total units) gain in housing units from the 1990 Census. The largest increase was owner occupied units, which saw a gain of approximately 48 percent or about 21,000 units; renter occupied units increased by about 5,200 units or approximately 20 percent. Vacant housing units, including owner vacancies, rental vacancies and other vacant units, grew by approximately 890 units. Table 4 compares the inventory, tenure and vacancy data from the 1990 and 2000 Censuses.

*Table 4*

Housing Inventory, Tenure and Vacancy  
Fort Collins-Loveland, Colorado MSA  
1990 and 2000

	<u>April 1990</u>	<u>April 2000</u>
Total Housing Units	<u>77,811</u>	<u>105,392</u>
Occupied Housing units	<u>70,472</u>	<u>97,164</u>
Owner Occupied	44,297	65,767
Percent	62.9%	67.7%
Renter Occupied	26,175	31,397
Percent	37.1%	32.3%
Vacant Housing Units	<u>7,339</u>	<u>8,228</u>
For Sale	991	795
Owner Vacancy Rate	2.2%	1.2%
For Rent	1,381	1,334
Rental Vacancy Rate	5.0%	4.0%
Other Vacant	4,967	6,099

Source: U.S. Bureau of the Census

The 5 percent tenure shift from renter to owner status during this same time increased the homeownership rate to 67.7 percent. The homeownership rate for the MSA is well above the 64.2 percent rate for the U.S and is in line with the 67.3 rate for the state of Colorado.

### **Residential Building Trends**

Approximately 2,500 multifamily units have been permitted since January 2000 and close to 50 percent were in rental projects. Building activity peaked in 2001 at almost 3,850 units permitted and then dropped by 400 in 2002 to about 3,400 units. Permits issued for rental units represented almost 80 percent of the multifamily permits issued in 2001. Larger projects that received permits in 2001 were Preserve at the Meadows (Fort Collins), Reserve at Centerra (Loveland), and Peakview by Horseshoe Lake (Loveland). In contrast, well over 90 percent of the multifamily units permitted in 2002 were for condominiums that will be sold as single-family units. The completion of Preserve at the Meadows, Peakview by Horseshoe Lake and Reserve at Centerra in fall of 2002 brought a temporary halt to major apartment construction activity. Since that time, construction has begun on Waterford II and Waterford Gardens, together known as Waterford Place, in Loveland and Talons Pointe in Estes Park. The trend of building



permits issued from 1995 and through 2002 is presented in Table 5. The City of Loveland has issued the footings and foundation permits for Waterford Place but the final building permit has not been issued. Table 5 reflects only final building permits.

<i>Table 5</i>			
<u>Housing Units Authorized by Building Permits</u>			
<u>Fort Collins-Loveland, Colorado MSA</u>			
<u>1995 - 2002</u>			
<u>Year</u>	<u>Single Family</u>	<u>Multifamily</u>	<u>Total</u>
1995	2,223	611	2,834
1996	2,434	1,065	3,499
1997	2,312	484	2,796
1998	2,894	575	3,469
1999	2,788	1,008	3,796
2000	2,792	800	3,592
2001	2,822	1,024	3,846
2002	2,773	673	3,446
Source: U.S Bureau of the Census Construction Reports			
Town of Wellington, Colorado			
Town of Estes Park, Colorado			
Larimer County Building Department			

There were 21,038 single-family and 6,240 multifamily units permitted in the metropolitan area from 1995 through 2002. Of the single-family permits, Fort Collins issued approximately 8,500 and Loveland issued approximately 5,000; the balance of the permits were issued by either Larimer County or surrounding municipalities. Approximately 2,600 or 40 percent of the multifamily units were owner occupied, and about 3,600 were rental. Close to 95 percent of the multifamily owner occupied units were condominiums or town homes located in developments in Fort Collins.

The large number of multifamily rental projects completed since January 2000 in the MSA included a variety of different rental products in both of the major submarkets. In Fort Collins, a surge in nonelderly LIHTC production brought Buffalo Run, Country Ranch, Bull Run, CARE-Fairbrook, and Care-Windtrail on the market. Recent LIHTC completions also included three projects for seniors: Reflections, Northern Hotel and Woodbridge. Fox Meadows was the only major mixed-income project in this recent production, while Preserve at the Meadows and Four Seasons comprised the recent activity in the market rate sector in Fort Collins. Rams Park, a student oriented facility located on West Elizabeth Street in Fort Collins, was completed in 2002.

Loveland shared in the surge in nonelderly LIHTC projects with the addition of Reserve at Centerra, Rock Crest, and Brookstone (Phase I and II). The completion of Eagle Ridge, Thompson Valley, and Peakview at Horseshoe Lake substantially increased the market rate apartment supply in the Loveland area. Finally, Lakeview Commons, an assisted living project in Loveland, was also part of recent multifamily production.

### **Home Sales Market**

The number of homes sold has increased each year since 1995 except for a 5 percent dip in 2000 in the Fort Collins/Wellington area and a 5 percent decrease in 2001 in the Loveland/Berthoud area. The average sales price has increased each year in both areas. Homes sold in Fort Collins/Wellington have historically commanded a higher sales price than homes sold in Loveland/Berthoud, but the price gap between the two areas has disappeared. For the first time since 1999, the average sales price of homes sold in Loveland/Berthoud exceeded the average in Fort Collins/Wellington. Increased employment, higher incomes, low interest rates fueled the boom in home sales through out the late 1990s and the early 2000s. Another force in the Fort Collins market is the purchase of homes by parents of students attending college. With low interest rates, many parents have determined that it is more cost effective to purchase and own a home for their children to live while attending college than to pay rent. Table 6 provides the trend for residential sales activity.

*Table 6*  
**Residential Sales Activity**  
**Fort Collins/Wellington and Loveland/Berthoud**  
**1995 - 2002**

<u>Fort Collins/Wellington</u>			<u>Loveland/Berthoud</u>		
<u>Year</u>	<u>Number of Homes Sold</u>	<u>Average Sales Price</u>	<u>Year</u>	<u>Number of Homes Sold</u>	<u>Average Sales Price</u>
1995	2,833	\$143,245	1995	1,384	\$133,938
1996	3,109	\$147,503	1996	1,513	\$144,679
1997	3,165	\$153,725	1997	1,624	\$150,177
1998	3,834	\$159,686	1998	1,816	\$159,080
1999	3,855	\$175,036	1999	1,751	\$175,533
2000	3,674	\$194,042	2000	1,965	\$193,089
2001	4,059	\$213,042	2001	1,866	\$210,327
2002	4,175	\$217,314	2002	2,045	\$218,034

Note: Homes sold is defined as purchased dwelling units and includes single-family, detached homes, town homes, condominiums, and patio homes.

Source: The Group, Inc.

The 2002 average sales price in Estes Park, a mountain resort community, for a single family home was \$288,375 up from the 2001 average of \$276,698. The average sales price for a townhome or condominium was \$227,289 in 2002 up from the 2001 average of \$225,428.

### **Present and Proposed Apartment Construction Activity**

Multifamily rental construction activity in the MSA was at its zenith during the late-1990s and early-2000s. However, since the completion of the units permitted in 2000 and 2001, very little activity has taken place. A modest increase in construction and proposed activity is underway, especially in Loveland. Footing and foundation permits have been issued for Waterford Place, a 294-unit project which will be located in Loveland. Planned activity in Fort Collins includes Caribou Apartments, a 193-unit mixed income project and in Loveland, Allendale Plaza Apartments, a market rate project that will add another 276 units. The 44 units at Talons Pointe in Estes Park are under construction and will be ready for occupancy in early June 2003. A brief description of these four projects follows.

#### **Waterford Place (Waterford II and Waterford Gardens) – (Loveland)**

Located at the 400 Block of 14th SE, Waterford II and Waterford Gardens footers and foundations were poured in January 2003. Waterford II is a LIHTC project consisting of 166 two and three bedroom units. All units are income restricted; 34 are targeted to households under 40 percent of median income, 34 targeted to households under 50 percent, 50 to households under 55 percent and 48 units to households under the 60 percent level.

Waterford Gardens is being financed with PABs and will also include income-restricted units. There are a total of 128 two and three-bedroom units, of which 51 will be market rate units. The remaining 77 units will be restricted to households whose incomes are under 50 percent of median income. There will be 47 units at the 40 percent level and 30 units at the 50 percent level.

#### **Allendale's Plaza Apartments (Loveland)**

In the planning stages, Allendale's Plaza Apartments is a market rate project that will be located at the intersection of Highway 34 and Denver Avenue. It will consist of 15 buildings and 276 units. It is unknown at this time as to the exact number of one, two and three-bedroom units. The project will include a clubhouse, pool, spa and other amenities.

#### **Caribou Apartments (Fort Collins)**

Caribou Apartments is in the planning stages of development. It is proposed to be located at the intersection of Caribou and Timberline in west central Fort Collins. The

project will contain 193 one and two-bedroom units. A total of 106-market rate and 87 income restricted units are planned. The income-restricted units are targeted to households whose incomes are under 60 percent of median income. Some of the planned amenities will include a clubhouse, fireplaces, and 9-foot ceilings, etc.

#### Talons Pointe Apartments (Estes Park)

Located in Estes Park, this LIHTC project will consist of 44 two and three-bedroom units. All units will be restricted to households whose income is under the 40, 50 or 60 percent median income level, except for 5 of the three bedroom units that will be Section 8 Project Based units. Applications are being accepted from potential tenants and it is anticipated that the first units should be occupied in June 2003. The sponsor of this project is the Housing Authority of the City of Loveland (HACOL).

#### **Subsidized Housing**

The Fort Collins Housing Authority (FCHA) and HACOL are the two main housing authorities located in the MSA. FCHA also manages the Larimer County Housing Authority and the Wellington Housing Authority and HACOL manages the Estes Park Housing Authority.

FCHA administers approximately 850 Section 8 vouchers and HACOL administers approximately 300. HACOL also administers, by Board Resolution, 44 Section 8 Vouchers in Estes Park. Section 8 Vouchers are issued to eligible tenants who find their own units in the market and contribute 30 percent of their income for rent. Utilization of vouchers is high, both FCHA and HACOL maintain a waiting list and the waiting time for a Section 8 Voucher varies from one year to more than three years. FCHA has set aside 47 Section 8 Vouchers to be used at the Northern Hotel, a project-based facility located in downtown Fort Collins. Nearly 350 of FCHA and HACOL's Section 8 Vouchers are being utilized at LIHTC projects located through out the MSA Fair Market Rents (FMRs) generally set the maximum rents for units occupied by households with Section 8 vouchers. The FMRs for the MSA are: Studio/efficiency, \$476, one-bedroom \$588, two-bedroom \$727, three bedroom \$1,010 and four bedroom \$1,193. These are gross rents and include the cost of utilities.

There are 248 family units and 523 elderly units maintained in 9 HUD subsidized properties. The initial occupancy date for most of these properties was during the 1970s and early 1980s. A majority of these (570 plus units) are covered by Section 8 Housing Assistance Payment (HAP) contracts and the properties are consistently full and have waiting lists. This subsidy typically allows tenants to pay 30 percent of their income for rent. Participation in the Section 8 program is generally limited to households with incomes less than 50 percent of the median income for the MSA. At present, this income limit is \$32,400 for a family of four and \$22,700 for an individual. Table 7 provides information regarding HUD subsidized projects.

*Table 7*

HUD Subsidized Projects  
Fort Collins – Loveland, Colorado MSA  
April 2003

	<u>Location</u>	<u>Type</u>	<u>Units</u>	<u>Sub.Units</u>
Coachlight Plaza	Fort Collins	Family	68	68
DMA Plaza I	Fort Collins	Elderly	126	50
Oakbrook I Apartments	Fort Collins	Elderly	107	106
Oakbrook II Apartments	Fort Collins	Elderly	100	100
Big Thompson Manor	Loveland	Elderly	58	12
Big Thompson Manor II	Loveland	Elderly	60	60
Creekside Gardens	Loveland	Family	50	50
Maple Terrace	Loveland	Family	130	52
Silver Leaf II	Loveland	Elderly	72	72

Source: US Department of HUD

In addition to the subsidized units listed in Table 7, the Volunteers of America National Service (VOA) has started construction on 62 elderly units in Fort Collins. This project is partially funded through the Section 202 program; tenants pay 30 percent of their income for rent. These units will be located in the 3600 and 3700 block of Kunz Court, which is in southeast Fort Collins at the intersection of Seneca Street and Horsetooth Road.

USDA-Rural Development offers rental assistance (RA) on projects financed through their Section 515 program. RA allows the tenant to pay 30 percent of their adjusted gross income towards the monthly basic rent. Table 8 provides information regarding the six Section 515 projects in the MSA.

<p><i>Table 8</i></p> <p><u>USDA Rural Development Section 515 Multifamily Projects</u></p> <p><u>Fort Collins - Loveland, Colorado MSA</u></p> <p><u>April 2003</u></p>				
	<u>Location</u>	<u>Type</u>	<u>Units</u>	<u>RA Units</u>
Hamilton Park I	Berthoud	Elderly	24	24
Hamilton Park II	Berthoud	Elderly	24	24
Park Ridge	Estes Park	Family	32	5
Pine Knoll	Estes Park	Elderly	48	14
South St. Vrain	Estes Park	Family	12	12
Trail Ridge	Estes Park	Elderly	24	23
Source: USDA Rural Development				

### **Rental Market Conditions**

The Fort Collins- Loveland rental market was tight through most of the 1990s, but has softened since January 2000. CSU is a major influence on the rental market. Of the approximately 25,000 students, almost 14,000 have to be absorbed into the local rental market. The vacancy rate consistently declines each fall when the students return from summer break. The trend in apartment vacancy from a survey begun in 1995 is shown in Table 9.

*Table 9*

Apartment Vacancy Rates  
Fort Collins and Loveland  
1995 - 2002

<u>Survey Date</u>	<u>Vacancy Rate</u>
3rd Quarter 1995	2.7%
1st Quarter 1996	3.3%
3rd Quarter 1996	2.1%
1st Quarter 1997	5.2%
3rd Quarter 1997	3.8%
1st Quarter 1998	5.3%
3rd Quarter 1998	2.2%
1st Quarter 1999	4.4%
3rd Quarter 1999	2.9%
1st Quarter 2000	3.4%
3rd Quarter 2000	1.8%
1st Quarter 2001	2.6%
3rd Quarter 2001	3.3%
1st Quarter 2002	7.0%
3rd Quarter 2002	13.1%
1st Quarter 2003	16.1%

Source: Colorado Division of Housing

Following years of a balanced to moderately tight rental market, the apartment vacancy rate shot up in the 1<sup>st</sup> Quarter of 2002, almost doubled in the 3<sup>rd</sup> Quarter of 2002, and continued to increase in the 1<sup>st</sup> Quarter of 2003. Decreasing employment opportunities, low interest rates, and families moving out of the area for employment opportunities has fueled the rise in vacancies. At the same time, the shift in tenure from renter to owner has dampened the demand for new rental units. Two major market rate projects entered the market in late 2002: Preserve at the Meadows, 220 units (Fort Collins) and Peakview at Horseshoe Lake 222 units (Loveland). Both are in initial lease up and have contributed to the recent spike in the vacancy rate. The apartment rental vacancy rate is typically more volatile than the total renter vacancy rate. Single-family rentals and smaller complexes have certainly felt the impact of the recent softening but it is unlikely that the rate in these units is as high as that for apartments. For purposes of our present analysis, we have used an overall vacancy rate of 11 to 12 percent, up considerably from the 4.1 percent in the 2000 Census but below the current rate for apartments. An overall rate in the 11 to 12 percent range still leaves the local rental market with 1,600 to 2,000 surplus vacancies.

Increasing vacancy rates have made the rental market much more competitive. Rent specials are the norm at both market rate and some LIHTC projects. The specials range (depending on the terms of the lease) from free rent, reduced rents, no application fees, lowered deposits, free garage parking, free washer/dryers, and no credit checks. "Look and lease" specials are also being offered at some projects.

In addition to the major market rate projects that entered the market recently, about 800 nonelderly and 180 elderly LIHTC units have been completed since January 2000. Two projects, Buffalo Run and Fox Meadows also contain some market rate units, in addition to their LIHTC units. Buffalo Run has 58 market rate units consisting of 26 two-bedroom two-bath and 32 three-bedroom two-bath units. Fox Meadows has 75 market rate units consisting of 24 one-bedroom and 51 two-bedroom two-bath units. A detailed update of the LIHTC market is discussed in a subsequent section.

### **Household Growth and Renter Demand Forecast**

The number of households has increased by approximately 7,700 since the 2000 Census or an annual average increase of 2.7 percent. It is estimated that there are 104,930 households in the MSA as of April 2003. Tenure estimated for April 2003 is 71 percent owner and 29 percent renter, compared to the 2000 Census estimates of 68 percent owner and 32 percent renter. The shift in tenure from renter to owner equates to approximately 1 percent per year, which is above the average annual tenure shift between the 1990 and 2000 Census. The average household size has slightly decreased from 2.5 in 2000 to 2.47 as of April 2003. The number of households is expected to grow at a rate of 1.6 percent for the first year during the forecast period and by 3 percent during the second year. As of April 2005, it is estimated that the total number of households in the MSA will reach 109,830.

Homeownership is expected to increase by 1 percentage point in the forecast resulting in owner tenure of 72 percent and renter tenure of 28 percent. A continued increase in homeownership rate will dampen demand for rental units but if mortgage rates begin to rise fewer renters will be able to purchase a home. Should this happen, the demand for rental units will increase. Our forecast does not reflect a major change in the mortgage interest rate.

Since 1995, over 21,000 building permits have been issued to construct single-family units and nearly 6,200 building permits were issued for the construction of multifamily units. We have estimated that approximately 3,600, or 60 percent of the multifamily units permitted, were issued for the construction of rental units. The issuance of building permits for market rate multifamily rental units has decreased dramatically since Preserve at the Meadows and Peakview at Horseshoe Lake were started. At present, there are about 340 rental units under construction in two projects located in Loveland and Estes Park. Except for 51 units at Waterford Place, all units will be income and rent restricted, which will lessen the impact on market rate units.



Lower mortgage interest rates, slower employment growth, and less immigration have slowed the absorption of rental units entering the market since January 2000, resulting in a large increase in the number of vacant units. There is over two year's supply of surplus vacant rental units at present. During the first year of the forecast period, about 300 to 400 units will be absorbed, and during the second year, approximately 700 to 800 will be absorbed. These levels of absorption will leave a surplus of 600 units or more by April 2005, almost another full year's worth of absorption. Unless job growth and absorption pick up considerably in the next two years, there will be little need for new apartment units until early-2006, implying a late-2004 or early-2005 construction start. This outlook is based on a strong recovery in the job market during 2004 and subsequent years, a relatively optimistic outlook. An acceleration of this economic recovery could bring some apartment demand in 2005 but the reverse is also true. To the extent job growth does not return to rates above 3 percent by 2004, demand for major market rate projects may not return until late-2006.

### **Low Income Housing Tax Credit (LIHTC) Rental Market**

The LIHTC rental market has softened since January 2000. The LIHTC rental market began to ease during the fall of 2001 and has not fully recovered. Rent specials are being offered and vacancies are evident throughout most LIHTC projects in the MSA. Typical rent specials include one or two months free rent on a 12 month lease, reduced monthly rents, reduce or no application fee, and "look and lease" specials. Rent specials are being offered by the profit motivated developers but not the nonprofit sponsors.

Demand for the one and two-bedroom units at the 40 and 50 percent of median income level has eased since January 2000, but these units are easier to fill than the three bedroom units. The rental market has softened for all units at the 60 percent level. A majority of the vacancies are in the three-bedroom, 60 percent units. Approximately 15 to 20 percent of the tenants utilize a Section 8 Voucher, which is an increase over the January 2000 usage. Large portions of the tenants are single parents and single persons.

Additions to the LIHTC inventory since January 2000 are listed below in Table 10, which provides a breakdown of bedrooms and income targets for each of the family projects. Table 15 provides information regarding the elderly projects.

*Table 10*

Additions to Non Elderly LIHTC Inventory  
Fort Collins-Loveland, Colorado MSA  
January 2000 – April 2003

	<u>Location</u>	<u>Type</u>	<u>Total Number of Units</u>
Buffalo Run	Fort Collins	Family	86
Country Ranch	Fort Collins	Family	118
Bull Run	Fort Collins	Family	176
Care@ Fairbrook	Fort Collins	Family	35
* Care @ Wind Trail	Fort Collins	Family	40
Fox Meadows	Fort Collins	Family	63
Reserve at Centerra	Loveland	Family	152
Rock Crest	Loveland	Family	56
Brookstone I and II	Loveland	Family	<u>72</u>
<b>Total</b>			<b>798</b>

\* Care @ Wind Trail includes 10 elderly units in addition to the 40 family units.

CARE Housing, Inc., a local nonprofit sponsor, developed the CARE @ Fairbrook, and CARE @ Wind Trail project as well as three other LIHTC projects in Fort Collins. The monthly rent at all five projects is set at 30 percent of the tenant's income instead of a fixed monthly charge. Tenants must have a minimum income of 30 percent of the median income as established for the MSA. The Housing Authority of the City of Loveland (HACOL) was the sponsor of Rock Crest and Brookstone I and II. Private, profit-motivated developers sponsored all other projects listed in Table 10.

LIHTC projects in the MSA offer a wide variety of bedroom sizes at various income levels. Most have income restrictions on all units but some also contain units at market rents. Table 11 summarizes the number of nonelderly LIHTC units by bedroom size and targeted income levels. The list includes projects with competitive (9 percent) credits and projects that receive 4 percent credits on some or all units financed with Private Activity Bonds (PABs). The Table excludes two LIHTC projects (Trail Ridge and South St. Vrain) completed in Estes Park since both are fully subsidized with Rental Assistance from Rural Development. Units targeted at 30, and 35 percent of income have been grouped at the 40 percent level, 45 percent of income at the 50 percent level, and 55 percent at the 60 percent level. The Table does not include market rate units, nor does it include units/projects designated for elderly persons. Projects designated for the elderly are discussed in a subsequent section of this report. Willow Grove's 54 units were the first LIHTC units to enter the market in 1991. The inventory as of January 2000 was 738 units and since that time the inventory doubled with 798

units entering the market. Close to a 20 percent increase in LIHTC units will result when the 287 units at Waterford Place and Talons Pointe and if the 87 proposed units at Caribou Apartments enter the market.

Table 11

Income Targets, Bedroom Distribution and Status of Non Elderly LIHTC Projects  
Fort Collins-Loveland, Colorado MSA  
April 2003

	<u>1-Bedroom</u>			<u>2-Bedroom</u>			<u>3-Bedroom</u>			<u>4-Bedroom</u>			<u>Total</u>
	<u>40</u>	<u>50</u>	<u>60</u>	<u>40</u>	<u>50</u>	<u>60</u>	<u>40</u>	<u>50</u>	<u>60</u>	<u>40</u>	<u>50</u>	<u>60</u>	
<b>Completed</b>													
<b><u>Fort Collins:</u></b>													
Willow Grove			24			30							54
Hickory Hill			14			78							92
CARE @ Greenbrier					16	4		15	5				40
CARE @ Swallow				7	10	3	6	10	4				40
CARE @ Wind Trail				5	5	20	5		5				40
CARE @ EagleTree				8	10		6	12					36
CARE @ Fairbrook				21	14								35
Rose Tree		6	14		17	67		4	12				120
Woodlands		3	11		14	52		7	29				116
Buffalo Run					6	32		7	41		3	13	86
Country Ranch						52			66				118
Bull Run					16	64		16	64				176
Fox Meadows		9	23		12	19							63
Springfield Court	6			9	8	6	5	13	5	4	4	3	63
<b>Sub Total</b>	<b>6</b>	<b>18</b>	<b>86</b>	<b>50</b>	<b>128</b>	<b>427</b>	<b>22</b>	<b>84</b>	<b>231</b>	<b>4</b>	<b>7</b>	<b>16</b>	<b>1,079</b>
<b><u>Loveland &amp; Estes Park (EP):</u></b>													
Meadows		10		7	16	2	2	21	2				60
Madison Avenue			12			36			12				60
Reserve at Centerra						88			64				152
Rock Crest				21	15		12	8					56
Brookstone I & II				38	2		32						72
Lone Tree (EP)	2	4		11	21			7	12				57
<b>Sub Total</b>	<b>2</b>	<b>14</b>	<b>12</b>	<b>77</b>	<b>54</b>	<b>126</b>	<b>46</b>	<b>36</b>	<b>90</b>				<b>457</b>

Table 11 (continued)

Table 11 (continued)

	<u>1-Bedroom</u>			<u>2-Bedroom</u>			<u>3-Bedroom</u>			<u>4-Bedroom</u>			<u>Total</u>
	<u>40</u>	<u>50</u>	<u>60</u>	<u>40</u>	<u>50</u>	<u>60</u>	<u>40</u>	<u>50</u>	<u>60</u>	<u>40</u>	<u>50</u>	<u>60</u>	
<b><i>Under Construction</i></b>													
<b><u>Loveland &amp; Estes Park (EP):</u></b>													
Waterford II (PAB)				17	17	48	17	17	50				166
Waterford Gardens				24	14		23	16					77
Talons Pointe (EP)				13	11	8	5	3	4				44
<b>Sub Total</b>				<b>54</b>	<b>42</b>	<b>56</b>	<b>45</b>	<b>36</b>	<b>54</b>				<b>287</b>
<b><i>Proposed Construction</i></b>													
<b><u>Fort Collins:</u></b>													
Caribou			33			54							87
<b>Sub Total</b>			<b>33</b>			<b>54</b>							<b>87</b>
<b>Grand Total</b>	<b>8</b>	<b>32</b>	<b>131</b>	<b>181</b>	<b>224</b>	<b>663</b>	<b>113</b>	<b>156</b>	<b>375</b>	<b>4</b>	<b>7</b>	<b>16</b>	<b>1,910</b>

**Market Potential for Nonelderly LIHTC Units**

The market potential for LIHTC units consists of households that are both income qualified and can afford the proposed rents. Table 12 illustrates the maximum incomes by bedroom size (assuming 1.5 persons per bedroom), maximum shelter rents (30 percent of the maximum income limit less a utility allowance) and estimated minimum incomes (assuming a typical requirement that tenant income be at least 2.5 times monthly shelter rent) at the 40, 50 and 60 percent of income level. Households within these income ranges form the target market for any given project and/or units at that income level. The computations are based on Fiscal Year 2003 income limits for the MSA, which were effective February 20, 2003. Colorado Department of Human Services estimated the utility allowances.

Table 12

Target Resident Incomes and Rents by Bedroom Size  
Fort Collins-Loveland, Colorado MSA  
2003

<b>40 Percent of Median Income:</b>		Number of Bedrooms			
		<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>
Maximum annual income	\$19,440	\$23,320	\$26,960	\$30,080	
Maximum monthly shelter rent	\$454	\$541	\$624	\$688	
Minimum annual income	\$13,620	\$16,230	\$18,720	\$20,640	
<b>50 Percent of Median Income:</b>		Number of Bedrooms			
		<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>
Maximum annual income	\$24,300	\$29,150	\$33,700	\$37,600	
Maximum monthly shelter rent	\$576	\$687	\$793	\$876	
Minimum annual income	\$17,280	\$20,610	\$23,790	\$26,280	
<b>60 Percent of Median Income:</b>		Number of Bedrooms			
		<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>
Maximum annual income	\$29,160	\$34,980	\$40,440	\$45,120	
Maximum Monthly Shelter rent	\$697	\$833	\$961	\$1,064	
Minimum annual income	\$20,910	\$24,990	\$28,830	\$31,920	

Source: HUD Analyst

The MSA is made up of two major market areas: North Larimer County and South Larimer County. North Larimer County includes Fort Collins, Wellington, Timnath, Laporte and the surrounding unincorporated areas. South Larimer County includes Loveland, Berthoud, Estes Park and the surrounding unincorporated areas.

To estimate the potential market in each income range in the market areas, household size and tenure data between the 1990 Census and 2000 Census was compared. The trend that was established was used to estimate the increase in eligible targeted renter households at each of the income levels from the 1990 Census to April 2003. Two sets of capture rates have been derived for the 40, 50, and 60 percent of median income levels. The first computation is based only on completed units in the present inventory, and the second is derived from the total of completed, under construction and proposed units. This latter computation tells us the capture rates the LIHTC market will have to achieve to successfully absorb all units presently under construction and proposed. The results of this analysis for each of the market areas are presented in Tables 13 and 14.

### **North Larimer County**

The capture rates achieved for existing units are modest for each of the target income groups and are presented in Table 13. Capture rates are 2 percent at the 40 percent level, 5 percent at the 50 percent level, and 15 percent at the 60 percent level. However, the existing two and three bedroom units at the 60 percent level have a high capture rate of 23 to 25 percent. These are the only capture rates that exceed 10 percent. The extended rent-up period of recent nonelderly LIHTC projects, coupled with an ongoing struggle to maintain occupancy, reflect the difficulty in attempting to achieve capture rates above 20 percent in a market with a large college student population. At this time, there is very little demand for additional units at the 60 percent level, especially for those with three-bedrooms.

Even though CSU students play an important role in the rental market, they have little impact on the LIHTC market. Except for certain instances, traditional students are restricted from renting LIHTC units. Exceptions include, but are not limited to, participants in federal, state, or local job training programs, certain married students and certain heads of households and their children. Students wishing to live in a LIHTC unit will have to verify that they meet the eligibility criteria.

Very little LIHTC activity is planned. No LIHTC units are under construction in North Larimer County and Caribou Apartments is the only LIHTC project being considered at this time. The inclusion of the Caribou Apartments (approximately 87 one and two-bedroom units at the 60 percent level) in the capture rate calculations had very little impact on the overall capture rates. The capture rate for one-bedroom units rose by 1 percent and remained at a low 6 percent. The two-bedroom rate rose by 3 percent, pushing this rate up to 26 percent from an already high level of 23 percent.

Table 13

Non Elderly Market Potential and Capture Rates  
North Larimer County  
April 2003

	<u>Number by Bedroom Size</u>				
<b>40 Percent of Income</b>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Total</u>
Total Renter Households	8,630	8,350	3,470	1,100	21,550
Targeted Renter Households	1,030	1,060	460	140	2,690
Existing units	5	39	17	3	64
<b>Adjusted Capture Rates:</b>	<b>1%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>
Existing Units, Under const. and Proposed	5	39	17	3	64
<b>Adjusted Capture Rates:</b>	<b>1%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>
	<u>Number by Bedroom Size</u>				
<b>50 Percent of Income</b>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Total</u>
Total Renter Households	8,630	8,350	3,470	1,100	21,550
Targeted Renter Households	1,190	1,230	570	220	3,210
Existing units	14	100	66	5	185
<b>Adjusted Capture Rates:</b>	<b>1%</b>	<b>7%</b>	<b>10%</b>	<b>2%</b>	<b>5%</b>
Existing Units, Under const. and Proposed	14	100	66	5	185
<b>Adjusted Capture Rates:</b>	<b>1%</b>	<b>7%</b>	<b>10%</b>	<b>2%</b>	<b>5%</b>
	<u>Number by Bedroom Size</u>				
<b>60 Percent of Income</b>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Table</u>
Total Renter Households	8,630	8,350	3,470	1,110	21,550
Targeted Renter Households	1,300	1,310	650	240	3,500
Existing units	67	333	180	12	592
<b>Adjusted Capture Rates:</b>	<b>5%</b>	<b>23%</b>	<b>25%</b>	<b>5%</b>	<b>15%</b>
Existing Units, Under const. and Proposed	93	376	180	12	661
<b>Adjusted Capture Rates:</b>	<b>6%</b>	<b>26%</b>	<b>25%</b>	<b>5%</b>	<b>17%</b>

Note: Capture rates adjusted 10 percent for out area tenants and by approximately 20 percent factor for Section 8 Voucher tenants.

Source: Estimates by HUD Economist

There can be considerable overlap between various income levels. For example, a family needing a two-bedroom unit with an income of \$27,000 can afford the minimum rent in a 60 percent unit but is below the maximum income limit for a 50 percent unit (refer to the income levels in Table 12). Approximately 90 percent of the existing and proposed units in North Larimer County are at the 50 and 60 percent levels. The units at 60 percent of median income level account for nearly 70 percent of the total. Hence, the capture rates for 50 and 60 percent units in the aggregate would be similar to the capture rates at the 60 percent level found on Table 13.

The overall LIHTC market in North Larimer County has softened since January 2000, due primarily to the entry in the market of over 520 new units. As noted earlier, rent specials are common, particularly for three bedroom units. Again, caution is urged when considering additional LIHTC units at the 50 and 60 percent level in North Larimer County, especially three bedroom units at the 60 percent level. Capture rates for LIHTC units at the 40 percent level are at 2 and 3 percent, indicating a strong demand for more units at this level.

### **South Larimer County**

The Reserve at Centerra, Rock Crest, and Brookstone I and II have added 280 LIHTC units to the South Larimer County market area since January 2000. Completion of these units pushed capture rates for two and three bedroom units at the 40 and 60 percent level above 20 percent for the first time. The market response has been mixed. Units at the 40 and 50 percent level filled quickly; those at the 60 percent level are being absorbed but the market reception has been more tepid than that for the 40 and 50 percent units. In addition to the LIHTC units that have entered the market since January 2000, Talons Pointe, and Waterford Place will add an additional 287 two and three-bedroom units the 40, 50 and 60 percent levels.

Capture rates at the 40, 50 and 60 percent of median income levels will increase dramatically with the inclusion of these units. The two-bedroom rate for units at the 40 percent level will jump from 26 percent to 44 percent. The three-bedroom rate at the 60 percent level will rise by 16-percentage points, from 25 percent to 41 percent. Even though the Loveland LIHTC market will not be constrained by restrictions on students, the capture rates required to successfully absorb Waterford Place and Talons Pointe are very aggressive. We anticipate difficulty achieving these rates in a reasonable time period. Therefore, additional nonelderly LIHTC units in the South Larimer market area, at any income level, should be postponed until all existing and under construction units are absorbed.

Capture rates that have been achieved for existing units are presented in Table 14. The table also illustrates the dramatic increases required with the completion of Talons Pointe and Waterford Place.



Table 14

Non Elderly Market Potential and Capture Rates  
South Larimer County  
April 2003

	<u>Number by Bedroom Size</u>				
<b>40 Percent of Income</b>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Total</u>
Total Renter Households	2,660	2,810	1,580	630	7,680
Targeted Renter Households	230	240	160	0	630
Existing units	2	68	40	0	110
<b>Adjusted Capture Rates:</b>	<b>1%</b>	<b>26%</b>	<b>23%</b>	<b>N/A</b>	<b>16%</b>
Existing Units, Under const. and Proposed	2	116	80	0	198
<b>Adjusted Capture Rates:</b>	<b>1%</b>	<b>44%</b>	<b>45%</b>	<b>N/A</b>	<b>28%</b>
	<u>Number by Bedroom Size</u>				
<b>50 Percent of Income</b>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Total</u>
Total Renter Households	2,660	2,810	1,580	630	7,680
Targeted Renter Households	360	350	220	0	930
Existing units	12	48	32	0	92
<b>Adjusted Capture Rates:</b>	<b>3%</b>	<b>12%</b>	<b>13%</b>	<b>N/A</b>	<b>9%</b>
Existing Units, Under const. and Proposed	12	85	64	0	161
<b>Adjusted Capture Rates:</b>	<b>3%</b>	<b>22%</b>	<b>26%</b>	<b>N/A</b>	<b>16%</b>
	<u>Number by Bedroom Size</u>				
<b>60 Percent of Income</b>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Total</u>
Total Renter Households	2,660	2,810	1,580	630	7,680
Targeted Renter Households	430	500	280	0	1,210
Existing units	11	111	79	0	201
<b>Adjusted Capture Rates:</b>	<b>2%</b>	<b>20%</b>	<b>25%</b>	<b>N/A</b>	<b>15%</b>
Existing Units, Under const. and Proposed	11	160	127	0	298
<b>Adjusted Capture Rates:</b>	<b>2%</b>	<b>29%</b>	<b>41%</b>	<b>N/A</b>	<b>22%</b>

Note: Capture rates adjusted 10 percent for out area tenants and by  
approximately 10 percent factor for Section 8 Voucher tenants

Source: Estimates by HUD Economist

Approximately 25 percent of the total renter households overlap between the 50 and 60 percent levels in the South Larimer County market area. Nearly 70 percent or 520 units of the existing, and under construction in the South Larimer County market area are at the 50 and 60 percent levels and 95 percent of the units are either two or three-bedrooms. The units at the 60 percent of median income level account for nearly 45 percent of the total of all units. The potential market for these units can be estimated using the same methodology discussed under the North Larimer County market area section and the capture rates would be similar to the capture rates at the 60 percent levels found on Table 12.

### **Market Potential for Elderly LIHTC Units**

Four projects offering LIHTC elderly units have entered the market since January 2000 and all projects are located in Fort Collins. The following table provides a brief profile of the projects.

*Table 15*

**Income Targets, Bedroom Distribution of Elderly Projects**  
**Fort Collins-Loveland, Colorado MSA**  
**April 2003**

	<u>One Bedroom</u>			<u>Two Bedroom</u>			<u>Total</u>
	<u>40</u>	<u>50</u>	<u>60</u>	<u>40</u>	<u>50</u>	<u>60</u>	
Reflections	34	14		16	8		72
Woodbridge	40			10			50
* Northern Hotel	41			6			47
CARE Wind Trail				10			10
<b>Grand Total</b>	<b>115</b>	<b>14</b>		<b>42</b>	<b>8</b>		<b>179</b>

\*All units in the Northern Hotel are subsidized with Section 8 Housing Assistance.

The Reflections, completed in December 2000, was the first major elderly LIHTC project to reach the market. The Northern Hotel was completed in November 2001 with 20 of its units under a Section 8 contract. A second contract for the remaining 27 units was put in place by September 2002. The most recent project, Woodbridge, was completed in February 2002. These have all been successfully absorbed, although the Northern Hotel's rent up was aided with a second Section 8 contract. Large portions of the tenants at Woodbridge and Reflections have relocated to the Fort Collins to live closer to family members. Presently there are no additional LIHTC elderly projects under construction or planned at this time.

The potential market for these units is estimated using a methodology similar to that discussed in the previous section dealing with the nonelderly LIHTC market. The minimum incomes are equal to those in the previous section (see Table 12) but the maximum limits are the one and two person income limits for the appropriate level. The total potential below includes both one and two person households. Our experience indicates that one-person households occupy about 85 percent of the elderly LIHTC units. The capture rate shown in Table 16 has been adjusted to reflect this. The results for the 40 and 50 percent of income group are shown below. We have not computed capture rates at the 60 percent income levels since all units are targeted at 40 and 50 percent of median income households.

Table 16

Elderly Market Potential and Capture Rates  
Fort Collins-Loveland, Colorado MSA  
April 2003

	<u>Number by Bedrooms Size</u>		
	<u>One</u>	<u>Two</u>	<u>Total</u>
<b>40 Percent of Income</b>			
Total Renter Households	2,085	895	2,980
Targeted Renter Households	453	145	598
Existing units	59	22	81
<b>Adjusted Capture Rates:</b>	<b>10%</b>		<b>9%</b>
	<u>Number by Bedrooms Size</u>		
	<u>One</u>	<u>Two</u>	<u>Total</u>
<b>50 Percent of Income</b>			
Total Renter Households	2,085	895	2,980
Targeted Renter Households	350	193	543
Existing Units	11	6	17
<b>Adjusted Capture Rates</b>	<b>3%</b>		<b>2%</b>

Note: Capture Rates adjusted 20 percent for out of the area tenants and by approximately 20 percent for Section 8 Vouchers. The units at the Northern Hotel were not included in the calculations.

Source: Estimates by HUD Economist

The capture rates at both the 40 and 50 percent level are at or below 10 percent, a modest level. Now that Reflections and Woodbridge have been absorbed, these capture rates indicate some potential for additional elderly LIHTC units at the 40 a 50 percent levels.

Note that some of the targeted households are already being served in the market in other subsidized elderly units. For example, USDA Rural Development is providing Rental Assistance to 85 households at their elderly projects located in Berthoud and Estes Park and FCHA has set aside 47 Section 8 Vouchers for use at the Northern Hotel. HUD subsidized elderly units total close to 460 units, which includes the existing Section 202s and the new VOA units. The USDA Rural Development, Northern Hotel and HUD subsidized units are historically at 100 percent occupancy and have waiting list for available units. These units do not impact capture rates directly but they do affect the outlook for additional elderly LIHTC units since some seniors at the low end of the LIHTC income range may already be served by these deep-subsidy projects.